



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 2, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Alvin
Charter Number 14905**

**1600 East Highway 6
Alvin, TX 77511**

**Comptroller of the Currency
Houston East Field Office
1301 McKinney Street, Suite 3750
Houston, TX 77010**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING.....	2
DESCRIPTION OF INSTITUTION	3
DESCRIPTION OF BRAZORIA COUNTY ASSESSMENT AREA.....	4
CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....	5

INSTITUTION'S CRA RATING

This institution is rated “Satisfactory”. First National Bank of Alvin (FNB Alvin) satisfactorily meets the credit needs of its assessment area, including low- and moderate-income individuals in areas consistent with its resources and capabilities. This rating is supported by the following:

- The loan-to-deposit ratio is reasonable.
- A reasonable penetration of loans and other lending-related activities are in the bank’s assessment area.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

DESCRIPTION OF INSTITUTION

FNB Alvin is headquartered in Alvin, Brazoria County, Texas. FNB Alvin is the only independently owned and operated bank in the Alvin-Manvel area. As of September 30, 2002, FNB Alvin had assets \$88 million, and net loans-to-total assets of 32%. FNB Alvin is well capitalized and received a Satisfactory rating at the last CRA examination performed June 12, 1998. FNB Alvin has no legal or financial impediments that prevent their efforts to help meet the credit needs of the assessment area.

FNB Alvin serves the community from two locations. FNB Alvin's main office location and a branch located in Manvel, Texas.

FNB Alvin's primary target market is in an area comprised of 14 contiguous census tracts, all of which meet various distress criteria. Being the only independently owned bank in the Alvin/Manvel area, FNB Alvin has a strong presence in the community.

FNB Alvin is a full service institution offering various commercial and retail banking services. The Manvel branch location is full service, including drive-up service, and a proprietary automated teller machine. FNB Alvin's primary product lines are commercial loans, residential real estate loans, and consumer loans. The distribution of the bank's loan portfolio as of September 30, 2002 is detailed in Table 1:

Table 1

Loan Category	\$ (000)	%
Commercial Real Estate Loans	\$14,329	50%
Consumer Loans	\$5,016	18%
Commercial Loans	\$4,718	16%
Residential Real Estate Loans	\$4,255	15%
Other Loans	\$265	1%
Total	\$28,583	100%

DESCRIPTION OF ASSESSMENT AREA – BRAZORIA COUNTY, TEXAS

FNB Alvin’s assessment area includes 14 census tracts in the Brazoria County area. The census tract for the defined assessment area consists of the following: zero (0) low-income, four (4) moderate-income, ten (10) middle-income, and zero (0) upper-income. The bank’s assessment area complies with the legal requirements of the CRA and does not arbitrarily exclude low- or moderate-income areas.

Information derived from the 1990 Census Bureau and 2001 Housing and Urban Development Agency (HUD) reports the updated 2002 median family income for the assessment area of \$57,100. Based on this data, moderate-income families comprise 19% of the assessment area and middle-income 81%. Eight percent (8%) of the families are below poverty level. A summation of the assessment area demographics is detailed in Table 2.

Table 2

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	8,027
Number of Households	10,343
<i>Geographies</i>	
Number of Census Tracts	14
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	29%
% Middle-Income Census Tracts	71%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$39,344
2001 HUD-Adjusted MFI	\$57,100
<i>Economic Indicators</i>	
2001 Median Housing Value	\$63,548
Owner-occupied Housing Units	62%
% of Households Below Poverty Level	8%

Area economic conditions, although improving, remain distressed. Loan demand in the area is almost nonexistent. Strong competition comes from numerous branches of regional banks that are located throughout the community. Competition is also provided from several non-financial institutions, such as check-cashing facilities and pay-day loan centers.

One CRA-related community contact was made locally. This contact did not indicate any specific lending needs that are not being met by the banks in the area. Senior management is very involved in local community organizations and they use their involvement as a means for determining credit needs in the assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB Alvin's loan-to-deposit ratio is low but reasonable based on area credit needs and loan demand. The loan-to-deposit quarterly average was 39% from June 1998 through September 2002. FNB Alvin's loan-to-deposit ratio as of the quarter ending September 30, 2002 was 38%. Table 3 illustrates the trend of FNB Alvin's loan-to-deposit ratio for the last five quarters.

Table 3

Date	Total Loans \$(000)	LTD Ratio
September 30, 2001	\$28,824	39%
December 31, 2001	\$28,575	39%
March 31, 2002	\$29,030	41%
June 30, 2002	\$28,502	39%
September 30, 2002	\$28,175	38%

Lending in the Assessment Area

A majority of loans and other lending-related activities are in the bank's assessment area. FNB Alvin's lending in the assessment meets the standard for satisfactory performance. We tested and verified management's conclusions on lending in the assessment by analyzing a sample of loans originated since the last CRA examination. As illustrated in Table 4, this analysis revealed that 76 % of the number and 66% of the dollar volume of loans originated are within the assessment area.

Table 4

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	18	72%	\$177	61%	7	28%	\$111	39%
Residential RE	21	95%	\$316	99%	1	5%	\$2	1%
Commercial	15	62%	\$613	57%	9	37%	\$455	43%
Total Reviewed	54	76%	\$1,106	66%	17	24%	\$568	34%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes, which meets the standard for satisfactory. We reviewed a sample of FNB Alvin's primary product lines consisting of residential, consumer, and business loans. The analysis reflected a level of lending to low- and moderate- income families consistent with area demographics.

As illustrated in the Tables below, of the residential loans sampled, 57% of the number and 49% of the dollar volume were extended to low- or moderate-income borrowers. Of the consumer loans reviewed 50% of the number and 62% of the dollar volume were extended to low- and moderate-income borrowers.

Table 5

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20%		21%		26%		34%	
	% of Number	% of Amount						
Total	24%	15%	33%	34%	19%	15%	24%	36%

Table 6

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	22%		19%		20%		39%	
	% of Number	% of Amount						
Total	11%	15%	39%	47%	33%	32%	17%	6%

The sample of business loans reviewed found 60% of the number and 51% of the dollar volume of loans were extended to businesses with gross revenues of less than \$1 million per year.

Table 7

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	88%	5%
% of Bank Loans in AA #	60%	40%
% of Bank Loans in AA \$	51%	49%

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area and meets the standard for satisfactory performance. We performed an analysis of residential, consumer, and business loans originated from June 1998 through September 2002. The analysis reflects lending consistent with area demographics. The geographic distribution loans are reflected in the Tables below.

Table 8

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Owner Occupied	0%		20%		80%		0%	
	% of Number	% of Amount						
Totals	0%	0%	10%	2%	90%	98%	0%	0%

Table 9

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Households	0%		19%		81%		0%	
	% of Number	% of Amount						
Totals	0%	0%	22%	12%	78%	88%	0%	0%

Table 10

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0%		15%		85%		0%	
	% of Number	% of Amount						
Totals	0%	0%	0%	0%	100%	100%	0%	0%

Response to Complaints

FNB Alvin did not any CRA-related consumer complaints since the prior CRA examination dated June 12, 1998. A process for handling complaints is in place.

Fair Lending Review

An analysis of public comments and consumer complaint information, Home Mortgage Disclosure Act (HMDA) data, small business and consumer lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, a comprehensive fair lending examination was not conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed at the March 31, 1998 compliance examination.